



With all this talk about Social Security, you might have started to think about your own retirement and where that money will come from.

In this Treasurer's Tip we will take you through the steps to plan your retirement and set you on your way to those comfortable golden years.

Planning for Retirement: Part One

How Do I Get Started?

The first step is to sit down and assess your future needs.

1. When do you want to retire?
 - Do you want to retire by age 50? Well, you better think about what affects early retirement might have on your investments. Many retirement accounts charge penalties for withdrawals before a certain age. Currently, you can't draw from Social Security until age 62 (with reductions for early retirement) and Medicare will not start until you are 65 (with some exceptions).
 - Remember, though 50 sounds nice, keep in mind you may have to adjust this number to meet your financial goals.
2. How much of your current income will you want when you retire?
 - Some experts suggest you invest enough money to have 70-80% of your current income after retirement. This is your call. However, many people find that the money they spent on work clothes, mortgage payments, and other expenses goes to trips, golf outings, and other forms of entertainment. Depending on the lifestyle, some people actually use more income after retirement.
 - Remember, you will have more free time after you retire and "free" time often gets expensive as you try to fill those hours.
3. How long will you need the money?
 - The current life expectancy at birth is about 77 years old. So, if you decided you want to retire at age 50, you might have to live on your retirement savings for 25 or more years.
 - Remember, it's better to overestimate your life expectancy, then to run out of money.
4. Don't forget the important numbers!
 - What is your average lifetime inflation rate?
 - Between 1990 and 2000, the average rate of inflation was 2.5%.
 - How much do you already have invested for retirement?
 - Include regular accounts, IRAs, 401(k), etc.
 - About how much will you receive from your company-sponsored pension?
 - Estimate your Social Security benefits when you retire.
 - You can get this information from Social Security Online at www.ssa.gov/.

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Retirement Calculators

Now that you have a good idea of where you are and where you want to be, you can plug some numbers into a retirement calculator to find out roughly how much money you need to save a month to reach your retirement goals or how you are doing so far. Here are a few to try:

- CNN Retirement Planner- <http://cgi.money.cnn.com/tools/retirementplanner/retirementplanner.jsp>
- Foolish Calculators- www.fool.com/calcs/calculators.htm
- Principal Financial Group Retirement Calculator- www.principal.com/calculators/retire.htm

Remember, these are only estimates. If you are uncomfortable with these projections, talk to a financial advisor.

In “Learn How to Plan for Your Retirement: Part Two,” find out where you can save your money to reach your goals.

